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International merchandise trade statistics

Report of the Secretary-General

Summary

The present report is submitted to the Statistical Commission in compliance with its request at its fortieth session.[a] The report describes the actions taken to implement the Commission's decision to revise the recommendations for international merchandise trade statistics, provides an overview of the draft revised recommendations and outlines the implementation programme. The draft of the revised recommendations is before the Commission as a background document, entitled "International merchandise trade statistics: concepts and definitions, 2010", for consideration and adoption. Points for discussion by the Commission are contained in paragraph 32 of the report.

[a] *Official Records of the Economic and Social Council, 2009, Supplement No. 4* (E/2009/24), chap. I.A.

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Contents

		Page
I.	Introduction	3
II.	Activities carried out in response to the decisions of the Commission	3
	A. Worldwide consultation	3
	B. Expert Group on International Merchandise Trade Statistics	4
	C. Inter-agency Task Force on International Merchandise Trade Statistics	4
III.	Overview of the revised recommendations	5
	A. Continuity of the conceptual framework	5
	B. New and updated recommendations	6
	C. Responding to the needs of balance-of-payments and national accounts compilers	8
IV.	Outline of the implementation programme	8
	A. Updating the *International Merchandise Trade Statistics Compilers Manual* and related knowledge base	8
	B. Technical assistance	9
	C. Enhancing the UN Comtrade database	9
	D. Future research agenda and international cooperation	9
V.	Points for discussion	10

I. Introduction

1. At its thirty-ninth session, the Statistical Commission endorsed the United Nations Statistics Division initiative and strategy for revision of the recommendations for international merchandise trade statistics as contained in *International Merchandise Trade Statistics: Concepts and Definitions, Revision 2*[1] and requested that the draft revised recommendations be presented to the Commission for adoption at its forty-first session.[2] The Commission further requested that the revised recommendations provide an updated conceptual framework and guidance on data compilation and dissemination, and be harmonized, to the extent possible, with the revised recommendations for statistics of international trade in services, the balance-of-payments statistics and the system of national accounts.[3] The Commission stressed that, in respect of revising the recommendations, due consideration should be given to the concern of minimizing the cost of the data collection and reporting burden.[4]

2. Section II of the present report describes activities carried out in response to the Commission's requests. Section III provides an overview of the revised recommendations; section IV outlines the implementation programme; and section V contains points for discussion by the Commission.

II. Activities carried out in response to the decisions of the Commission

A. Worldwide consultation

3. The key element of the revision strategy was a worldwide consultation with countries, which was carried out in two stages.[5] The first stage had been conducted between May and July 2008 and focused on a number of issues most relevant for establishing the scope and structure of the future recommendations. Based on the results of the consultation, the United Nations Statistics Division in cooperation with members of the Expert Group on International Merchandise Trade Statistics (EG-IMTS) and the Inter-agency Task Force on International Merchandise Trade Statistics (TF-IMTS) prepared the provisional draft of the revised recommendations. The draft was submitted to countries for review during the second stage of the consultation process, conducted in August and September 2009, to ensure that countries' views were taken fully into account before its finalization.

4. More than 100 countries participated in the second stage of the consultation process and provided their detailed comments. Overall, the provisional draft received

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[1] Studies in Methods, Series M, No. 52, Rev.2 (United Nations publication, Sales No. E.98.XVII.16).

[2] *Official Records of the Economic and Social Council, 2008, Supplement No. 4* (E/2008/24), chap. I, sect. B, decision 39/109, para. (a).

[3] Ibid., paras. (c) and (d).

[4] Ibid., para. (e).

[5] A total of 131 countries or areas participated in the first and/or the second stage of the worldwide consultation. The results of both rounds of consultation are available on the United Nations Statistics Division website at http://unstats.un.org/unsd/trade/EG-IMTS/EG-IMTS%20web%20announcement.htm.

very strong support. Countries saw it as comprehensive and balanced and as containing necessary updates and new recommendations. At the same time, countries confirmed that the main elements of the conceptual framework should be maintained. The comments received constituted an excellent basis for the finalization of the provisional draft as well as for developing an adequate implementation programme.

B. Expert Group on International Merchandise Trade Statistics

5. To ensure active involvement of countries during all steps of the revision process and to obtain their endorsement of the draft recommendations, the United Nations Statistics Division had established in 2007 an Expert Group on International Merchandise Trade Statistics. The terms of reference of the Expert Group were taken note of by the Commission at its thirty-ninth session.[6] The Expert Group consists of trade experts from both developed and developing countries as well as representatives of several international, supranational and regional organizations active in the production and/or use of international merchandise trade statistics. It met for the first time from 3 to 6 December 2007 and selected 17 issues for which the advice of countries was sought during the first stage of the worldwide consultation. During 2008 and 2009, the Statistics Division prepared draft revised recommendations and conducted three virtual meetings of the Expert Group in order to review the proposed draft and reach an agreement on the wording of particular recommendations.

6. During the second physical meeting, held from 3 to 6 November 2009, the Expert Group reviewed the full text of the provisional draft of the revised recommendations in the light of the comments received during the second stage of the worldwide consultation and endorsed it, subject to several amendments and clarifications. The amended provisional draft recommendations are contained in the background document entitled "International merchandise trade statistics: concepts and definitions, 2010" (IMTS2010)[7] which is submitted to the Commission for adoption. The Expert Group also endorsed the implementation programme and the related research agenda (see sect. IV of this report).

C. Inter-agency Task Force on International Merchandise Trade Statistics

7. The Inter-agency Task Force on International Merchandise Trade Statistics[8] has functioned as an effective forum for discussing various ideas and for the

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[6] *Official Records of the Economic and Social Council, 2008, Supplement No. 4* (E/2008/24), chap. I, sect. B, decision 39/109, para. (b). The activities of the Expert Group are documented on its website at http://unstats.un.org/unsd/trade/EG-IMTS/EG-IMTS%20web%20announcement.htm.

[7] Available as a background document from the Commission's website at http://unstats.un.org/unsd/statcom/commission_41st_session.htm.

[8] The Task Force is convened by the World Trade Organization and consists of representatives of the following organizations: the Department of Economic and Social Affairs of the United Nations Secretariat (United Nations Statistics Division), the Economic Commission for Latin America and the Caribbean, the Economic and Social Commission for Western Asia, the United Nations Conference on Trade and Development, the Food and Agriculture Organization of the United Nations, the International Monetary Fund, the World Trade Organization, the International Trade Centre, the Organization for Economic Cooperation and Development, the Statistical Office of the European Communities (Eurostat) and the World Customs Organization.

exchanging of views among international, supranational and regional organizations on a number of conceptual and practical issues relevant to the preparation of the revised recommendations. At its 2009 meeting, the Task Force reviewed the results of the first stage of the worldwide consultation and provided its views on the incorporation of country positions into the draft recommendations. Individual members of the Task Force, including the World Trade Organization, the Food and Agriculture Organization of the United Nations (FAO), the Organization for Economic Cooperation and Development (OECD), Eurostat and the World Customs Organization, made valuable contributions to IMTS2010 at different stages of the revision process. The Task Force will continue to actively participate in the implementation of the revised recommendations, including in technical assistance to countries and in further advancing the research on methodological issues.

8. The entire revision process was carried out with full transparency through a dedicated public website informing about all stages of the revision process that had been created and continuously updated by the Statistics Division.

III. Overview of the revised recommendations

A. Continuity of the conceptual framework

9. International merchandise trade statistics constitute a multi-purpose statistical domain whose aim is to satisfy the information needs of a wide range of user groups ranging from international trade policymakers and commodity markets analysts to compilers of balance-of-payments and national accounts. In accordance with its awareness of the continued need for data that reflect physical cross-border movements of goods, countries' concern regarding the availability of adequate data sources and the requirement that the reporting burden be minimized, IMTS2010 maintains the conceptual framework adopted by the Commission at its twenty-ninth session in 1997.[9]

10. In accordance with the results of the worldwide consultation and the conclusions of the Expert Group, IMTS2010 retains the following previously adopted recommendations: (a) to define the scope of international merchandise trade statistics in terms of the recording of goods that add to or subtract from the stock of material resources of a country by entering (imports) or leaving (exports) its economic territory, (b) to use the general trade system, (c) to use the Harmonized Commodity Description and Coding System for basic data collection, (d) to use the free on board (FOB)-type statistical valuation for exports and the cost, insurance and freight (CIF)-type statistical valuation for imports, (e) to use the net weight and the World Customs Organization quantity units and (f) to use, for partner-country attribution, the country of origin for imports and country of last known destination for exports. At the same time, IMTS2010 provides additional amendments and clarifications relevant to the application of these recommendations.

[9] *Official Records of the Economic and Social Council, 1997, Supplement No. 4* (E/1997/24), chap. VII, para. 39 (e).

B. New and updated recommendations

11. IMTS2010 provides updated or new recommendations and clarifications of the key concepts. The scope of the recommendations has been extended to cover the entire statistical process, thereby giving better and comprehensive guidance to compilers. At the same time, IMTS2010 has taken into account important user needs by recommending or encouraging the compilation and dissemination of some additional data and metadata.

12. *Update of the recommendations concerning the scope of international merchandise trade statistics.* IMTS2010 clarifies and makes specific recommendations regarding the treatment of selected categories of goods that pose particular difficulties to compilers, such as goods simply being transported through a country, goods temporarily admitted or dispatched and media, whether recorded or not. It also introduces the criteria of change of ownership which are recommended for use only if the general guideline that relies on the physical movement of goods is not applicable or not sufficient. In response to the need to better capture the globalization of production and the needs of balance-of-payments and national accounts compilers, IMTS2010 encourages compilers to explicitly identify goods for processing where no change of ownership takes place and transactions between related parties. Further, the fact that goods provided to or supplied by ships and aircraft outside the economic territory of the compiling country are within the scope of international merchandise trade statistics provides the basis for symmetrical recording of import and export of such goods by the trading partners.

13. *New recommendation to use the Standard International Trade Classification (SITC) for analytical purposes.* IMTS2010 recognizes the analytical value of the Standard International Trade Classification and recommends that countries use the Classification to disseminate data if user demand exists.

14. *Updated and new recommendations on valuation.* Taking into account various user needs, IMTS2010 encourages countries to compile or estimate statistics on imports on the FOB basis in addition to using the standard CIF valuation. Sharing of good practices in respect of compilation is promoted. Further, several recommendations on the valuation of specific categories of goods that pose particular difficulties, such as electricity, gas and water, have been added or amended.

15. *Updated recommendation in respect of recording quantity data.* IMTS2010 puts more emphasis on the compilation of high-quality data on quantities of traded goods in order to establish an improved information basis upon which to address, inter alia, environmental and food security concerns. IMTS2010 recommends, much more explicitly than in the previous edition of the recommendations, the compilation of quantity data using net weight and the supplementary quantity units for all transactions. Concrete steps towards making quantity information more internationally comparable are recommended also.

16. *Updated and new recommendation for the recording of a second partner country.* Recognizing various analytical needs as well as the need to reconcile data reported by trading partners, IMTS2010 recommends recording the country of consignment in import statistics, in addition to the country of origin of goods. As such recording is more difficult to implement for exports statistics, in this case compilation for the country of consignment only is encouraged.

17. *New recommendation to add mode of transport as an additional data dimension.* Taking into account the strong user interest in information on transportation arrangements between trading countries, IMTS2010 reconfirms the recommendation to collect international merchandise trade statistics by mode of transport and provides an appropriate classification of such modes. It is recommended that countries compile and disseminate international merchandise trade statistics by mode of transport at the most detailed commodity level possible.

18. *New recommendation on the use of different data sources.* Further elaborating the previous recommendation, IMTS2010 confirms that customs records should be treated as the main and normally preferred data source. The use of non-customs data sources is recommended if customs records are unavailable or clearly inadequate. It is further recommended that non-customs sources be used only as substitutes for available customs records if they provide a cost-effective means of improving the quality of trade statistics. Another important new recommendation specifies that the information about the customs procedures applied to individual transactions should be part of the data set provided by customs to the agency responsible for the compilation of international merchandise trade statistics.

19. *New recommendation regarding the establishment of necessary institutional arrangements.* IMTS2010 recommends that the establishment of the institutional arrangements necessary to ensure the compilation of high-quality trade statistics be given high priority and that their effectiveness be periodically reviewed. The presentation of the characteristics of effective institutional arrangements is intended to facilitate the elaboration of good practices in this regard in the forthcoming revision of the *International Merchandise Trade Statistics Compilers Manual*.[10]

20. *New recommendations regarding data quality.* Data quality and metadata were not sufficiently covered in the previous recommendations. IMTS2010 recommends that countries develop and use principles and standards for data quality and a standard for regular quality reports which would cover the full range of statistical processes and their outputs. Such reports could be either producer-oriented, with the aim of identifying strengths and weaknesses of the statistical process and leading to or containing the definition of quality improvement actions, or user-oriented, with the aim of keeping users informed on the methodology of the statistical process and the quality of the statistical output. In addition, IMTS2010 identifies a set of indicators for measuring the quality of international merchandise trade statistics. The *International Merchandise Trade Statistics Compilers Manual* will elaborate the issue of quality assurance and reporting in more detail based on the relevant decisions of the Commission and good country practices.

21. *New recommendations for comprehensive metadata compilation and dissemination.* IMTS2010 recommends that countries view the development of metadata as a high priority and consider their provision to users as an integral part of the dissemination of international merchandise trade statistics. Moreover, it is recommended that this should be done in compliance with the approach adopted by a given country to metadata across all areas of economic statistics. IMTS2010 provides a list of recommended metadata items.

22. *Updated and new recommendations on data dissemination.* IMTS2010 clarifies and extends previous recommendations on dissemination by (a) adding and

[10] Series F, No. 87 (United Nations publication, Sales No. E.02.XVII.17).

elaborating recommendations on data confidentiality for merchandise trade statistics, (b) providing a suggested timetable for the release of monthly, quarterly and annual data, (c) describing desirable practices for the data revision policy and (d) providing basic recommendations for data and metadata dissemination.

23. *New recommendation to promote the linking of trade and business statistics.* IMTS2010 encourages countries to undertake efforts to link business and trade statistics more closely, as this would create an improved basis for analysis of trade by kinds of economic activity, as well as for the assessment of the role of international trade in employment and income generation. These recommendations and activities to be encouraged will be elaborated in the *International Merchandise Trade Statistics Compilers Manual* in order to provide countries with additional guidance and descriptions of good practices.

C. Responding to the needs of balance-of-payments and national accounts compilers

24. IMTS2010 has been developed with the needs of balance-of-payments and national accounts compilers in mind and with the aim of fostering closer cooperation between these statistical domains as an appropriate means for countries to obtain consistent statistics on their international transactions. In this context, IMTS2010 encourages trade compilers to identify separately goods for processing without change of ownership and trade with related parties and recommends the symmetrical recording of a number of transactions previously treated differently in export and import statistics. Further, compilers of international merchandise trade statistics are explicitly encouraged to cooperate with balance-of-payments and national accounts compilers with respect to the recording of goods of special interest to these systems. To assist both compilers and data users, a detailed description of the relationship between IMTS2010 and the sixth edition of the *Balance-of-Payment Manual* and the *System of National Accounts 2008* is contained in the newly added annex F of IMTS2010.

IV. Outline of the implementation programme

A. Updating the *International Merchandise Trade Statistics Compilers Manual* and related knowledge base

25. One of the key activities within the IMTS2010 implementation programme is the updating of the *International Merchandise Trade Statistics Compilers Manual* in order to provide further and more detailed explanations of certain recommendations and practical guidance by describing good practices applicable under different circumstances. A detailed outline of the scope and structure of the *Manual* will be developed after the Commission's adoption of IMTS2010 and will be based on the comments of countries collected during the worldwide consultation. The United Nations Statistics Division plans to prepare the *Compilers Manual* in close cooperation with the Expert Group and the Task Force and publish it on the Web in 2011.

26. As part of the implementation activities, the Statistics Division plans to develop a knowledge base on international trade statistics. It is intended that such a

knowledge base will serve as a comprehensive repository of information on relevant concepts and methods as well as contain references to national practices and the available country metadata. In addition, it is planned that all information on the outputs and activities of the Statistics Division in the area of international merchandise trade statistics encompassing, inter alia, technical assistance, the United Nations Commodity Trade Statistics Database (UN Comtrade) and methodological research will be made accessible through this knowledge base.

B. Technical assistance

27. Immediately after the adoption of IMTS2010 by the Commission, the United Nations Statistics Division plans to organize a series of regional workshops for developing countries focusing on the contents of the new recommendations and on practical approaches to their implementation. It is tentatively planned to hold two workshops per year and deliver training to countries that need it most by the end of 2012, subject to resource availability. It is expected that some members of the Expert Group and the Task Force will participate in such workshops as resource persons who will share their country's or their organization's experiences. In addition, and in parallel with the workshops, the Statistics Division will be providing needed explanations and clarifications, by correspondence, as requested by countries. Technical assistance will continue to be in the agenda of the Task Force to ensure proper coordination among various organizations.

C. Enhancing the UN Comtrade database

28. During 2010-2011, the United Nations Commodity Trade Statistics Database (UN Comtrade) will be enhanced to enable it to process, store and disseminate international merchandise trade statistics in line with the updated and new recommendations. This would mean making UN Comtrade capable of dealing with data that, potentially, might contain additional items such as mode of transport, the country of consignment as second partner country, imports free on board, etc. In addition, increased emphasis will be put on obtaining, processing and making available to users comprehensive metadata and information on special trade flows and transactions.

29. Efforts will be undertaken to enable UN Comtrade to accommodate the new data items as early as 2011, for testing purposes. Further, it is planned that the presentation of the new information in UN Comtrade will be discussed with members of the Expert Group and the Task Force during 2010-2011 to ensure that both national and international concerns are taken into account and the enhanced UN Comtrade continues to serve as an efficient global database.

D. Future research agenda and international cooperation

30. IMTS2010 addresses a number of important issues. However, owing to its normative nature, it does not cover a number of issues on which there is no clear majority view and where further research is required. The issues that need further attention include, for example: (a) imbalances in partner statistics and efficient ways of conducting reconciliation studies, (b) finding innovative methods of linking trade

and business statistics in the context of an integrated approach to economic statistics, (c) researching ways to assess trade in terms of value added and to clarify the nature of the international production chain, (d) good practices in the compilation of the trade indices and various analytical indicators and (e) more efficient means of carrying out automated data transfer between countries and international organizations.

31. Recognizing the importance of a continued search for new approaches to data compilation and their more efficient use, the United Nations Statistics Division will promote active cooperation between countries and various relevant international forums. This will include the continued work of both the Expert Group and the Task Force as well as an effective exchange of ideas with the international bodies responsible for balance of payments, statistics on international trade in services and national accounts.

V. Points for discussion

32. **The Commission may wish:**

(a) **To adopt the revised recommendations for international merchandise trade statistics as contained in "International merchandise trade statistics: concepts and definitions, 2010" (IMTS2010);**

(b) **To endorse the IMTS2010 implementation programme, including preparation of the revised *Compilers Manual*, providing technical assistance to countries and enhancement of the UN Comtrade database, so as to ensure efficient data storage and dissemination at the global level;**

(c) **To request that both the Expert Group on International Merchandise Trade Statistics and the Inter-agency Task Force on International Merchandise Trade Statistics continue their work with the aim, inter alia, of further developing the analytical potential of international merchandise trade statistics to more effectively address globalization, climate change and environmental concerns.**